

**July 25, 2006**

SUBJECT: Award of Request for Proposals No. F0502-55 to Conduct an Optimum Staffing Study for the Information Technology Department

REPORT IN BRIEF

Approval is requested for the award of a contract to Pacific Technologies, Inc., (PTI) of Bellevue, Washington, to conduct an optimum staffing study for the Information Technology Department.

BACKGROUND

In FY 2004/2005, the City started a multi-year effort of reviewing all the major departments in order to affirm that current management and staffing practices were resulting in the highest possible level of service for the dollars invested. This is the third study to be conducted under this program.

The Information Technology Department (ITD) has 24 full-time employees and is responsible for providing secure, reliable and efficient delivery of information technology-related services to City staff. The department also oversees franchises providing important services directly to the community. IT services currently include:

- Maintaining and operating the City's central information technology systems and networks, including wide and local area networks, Internet and external interfaces and telephone and voicemail systems.
- Supporting software applications used throughout the City (both in-house developed and vendor provided).
- Training City staff on ITD-support desktop software applications.
- Providing technical support for desktop computing systems.
- Acquiring and replacing information technology-related equipment.
- Providing on-site repair of equipment and coordinating vendor-provided support.
- Negotiating and administering franchise and wireless tower lease agreements.
- Providing mail services.
- Providing centralized and decentralized print/copy services to all City departments.

The study will review the cost effectiveness and quality of service provided by the Department through current staffing levels and assignments and make recommendations for improvements, as appropriate.

DISCUSSION

On March 15, 2006, the City issued Request for Proposals (RFP) No. F0507-01 which invited proposals from qualified consultants interested in performing an optimum staffing study for the Information Technology Department.

The scope of services includes a comprehensive analysis which focuses on:

- Organizational structure, including the division of labor and manager/supervisor span on contract.
- Effectiveness of staffing levels in each division. Topics of consideration include, but are not limited to staff assignments, planned leave, worker's compensation leave, disability, workload, skill levels, training, cost-effective shift scheduling in applicable areas, centralized versus decentralized services, and avoidance of service duplication.
- The use of overtime.
- Evaluation of call-back system for after-hour services.
- Benchmarks and other objective indicators of program effectiveness.

Potential consultants were notified about the Request for Proposals through direct mailings and through the Onvia DemandStar public procurement network. Five proposals were received.

Proposers

Proposed Cost*

Bartig, Basler & Ray CPAs, Inc., of Roseville, California	\$139,900
Pacific Technologies, Inc., of Bellevue, Washington	\$120,760
MTG Management Consultants, LLC, of Seattle, Washington	\$ 66,250
Holland & Davis, LLC, of San Antonio, Texas	\$ 63,750
Kerry Consulting Group (KCG) of Claremont, California	\$ 18,671

*As explained on page 3, cost was only one of several evaluation criteria.

Proposals were reviewed by a selection committee of City staff which was chaired by the Assistant City Manager. The work of the committee was facilitated by Management Partners, Inc., of San Jose under a contract issued under the City Manager's contract award authority. This firm is experienced in conducting organizational reviews, including reviews of information technology departments, and has extensive experience facilitating and coaching groups and committees. Management Partners' role was to coordinate the committee's work, participate in the interview panel and to provide its recommendation as to which consultant to select, based on its professional expertise in municipal information technology. Following Council award of contract, Management Partners will also monitor the consultant's progress and advise the City Manager and Assistant City Manager of any issues needing their attention.

Each proposal was evaluated, based on the following criteria as outlined in the RFP:

- Adherence to RFP requirements.
- Depth of project team's experience and its relevance of the project.
- Consultant's understanding of project requirements.
- Proposed methodology and management plan for the project.
- Proposed timeline for completion of services.
- Total Cost to the City.

Following review of the written proposals, three consultants were selected to continue in the process and were interviewed by the committee. The committee has agreed that the proposal submitted by Pacific Technologies, Inc., offers the best value to the City. PTI's proposal describes a well defined process for obtaining the information sufficient to support the comprehensive analysis required under the RFP. Proposed tools for collecting the information have been successfully used in both larger and smaller municipalities and with county clients in a large number of similar assessments. In addition, the tools and proposed process appear to be flexible enough to accommodate duties and organizational culture that may be unique to Sunnyvale, and the final analysis will be highly fact-driven with a good understanding and consideration of the human issues that can affect the ultimate success of the project and the implementation of recommendations.

PTI's proposed cost includes sufficient staff and time to complete interviews with key City staff, stakeholders and focus groups to obtain a deep understanding of the current situation. The proposed project team is large enough to perform these duties in a reasonable period of time. The proposed cost also includes benchmarking Sunnyvale against best practices as well as against the practices of up to six other Bay Area agencies.

Staff, therefore, recommends award of contract to Pacific Technologies, Inc., of Bellevue, Washington

FISCAL IMPACT

The cost of the two contracts is \$137,960 (\$120,760 for the Pacific Technologies contract and \$17,200 for the Management Partners contract). Staff recommends that the cost of these contracts be funded from the General Services Fund/Technology and Communication Services Subfund Information Technology Equipment replacement account. Funding in this manner creates no net fiscal impact, and there is not expected to be any operational or service level impact of reducing the technology equipment replacement budget by \$137,960, based on historical spending trends for equipment replacement.

**BUDGET MODIFICATION NO. 5
FISCAL YEAR 2006/2007**

	<u>Current</u>	<u>Increase (Decrease)</u>	<u>Revised</u>
General Services Fund/ Technology and Communication Services Subfund			
<u>Expenditures:</u>			
Information Technology Equipment	\$1,932,618	(\$137,960)	\$1,794,658
 New Project – Optimal Staffing Study for Information Technology	 \$0	 \$137,960	 \$137,960

RECOMMENDATION

It is recommended that Council:

1. Award a contract, in substantially the same form as the attached draft and in an amount not to exceed \$120,760, to Pacific Technologies, Inc., to conduct an optimum staffing study of the Information Technology Department; and
2. Approve Budget Modification No. 5.

Prepared by:

Elaine Wesely
Purchasing Officer

Reviewed by:

Mary J. Bradley
Director, Finance

Reviewed by:

Robert Walker
Assistant City Manager

Approved by:

Amy Chan
City Manager

Attachment

Draft Consultant Services Agreement

**CONSULTANT SERVICES AGREEMENT
BETWEEN THE CITY OF SUNNYVALE AND PACIFIC TECHNOLOGIES, INC.,
TO CONDUCT AN OPTIMUM STAFFING STUDY
OF THE DEPARTMENT OF INFORMATION TECHNOLOGY**

THIS AGREEMENT, dated _____, is by and between the CITY OF SUNNYVALE, a municipal corporation ("CITY"), and PACIFIC TECHNOLOGIES, INC., a State of Washington corporation ("CONSULTANT").

WHEREAS, CITY is in need of specialized services in relation to conducting an optimum staffing study of CITY's Department of Information Technology; and

WHEREAS, CONSULTANT possesses the skill and expertise to provide the required services;

NOW, THEREFORE, THE PARTIES ENTER INTO THIS AGREEMENT.

1. Services by CONSULTANT

CONSULTANT shall provide services in accordance with Exhibit "A" attached and incorporated by reference. CONSULTANT shall determine the method, details and means of performing the services.

2. Time for Performance

The term of this Agreement shall be from the date of Agreement execution and completion of all services specified in Exhibit "A", unless otherwise terminated.

3. Duties of CITY

CITY shall supply any documents or information available to City required by CONSULTANT for performance of its duties. Any materials provided shall be returned to CITY upon completion of the work.

4. Compensation

CITY agrees to pay CONSULTANT the firm fixed price of one hundred five thousand seven hundred sixty and no/100 dollars (\$105,760.00) for the required professional services. In addition, CITY agrees to reimburse CONSULTANT for direct expenses at cost plus 1.5% up to fifteen thousand and no/100 dollars (\$15,000.00). Total compensation is not to exceed one hundred twenty thousand seven hundred sixty and no/100 dollars (\$120,760.00). CONSULTANT shall submit invoices no more frequently than monthly for services performed during the previous month. Payment will be made within thirty (30) days of receipt of an accurate, itemized invoice by CITY's Accounts Payable Unit.

5. Ownership of Documents

CITY shall have full and complete access to CONSULTANT's working papers, drawings and other documents during progress of the work. All documents of any description prepared by CONSULTANT shall become the property of the CITY at the completion of the project and upon payment in full to the CONSULTANT. CONSULTANT may retain a copy of all materials produced pursuant to this Agreement.

6. Conflict of Interest

No officer or employee of CITY shall have any interest, direct or indirect, in this Agreement or in the proceeds thereof. During the term of this Agreement CONSULTANT shall not accept employment or an obligation which is inconsistent or incompatible with CONSULTANT's obligations under this Agreement.

7. Confidential Information

CONSULTANT shall maintain in confidence and at no time use, except to the extent required to perform its obligations hereunder, any and all proprietary or confidential information of CITY of which CONSULTANT may become aware in the performance of its services.

8. Compliance with Laws

- (a) CONSULTANT shall not discriminate against any employee or applicant for employment because of race, religion, creed, color, national origin, gender, age (persons 40 years or older), disability, or any other basis to the extent prohibited by federal, state, or local law. All employees of CONSULTANT shall be treated during employment without regard to their race, creed, color or national origin.
- (b) CONSULTANT shall comply with all federal, state and city laws, statutes, ordinances, rules and regulations and the orders and decrees of any courts or administrative bodies or tribunals in any manner affecting the performance of the Agreement.

9. Independent Contractor

CONSULTANT is acting as an independent contractor in furnishing the services or materials and performing the work required by this Agreement and is not an agent, servant or employee of CITY. Nothing in this Agreement shall be interpreted or construed as creating or establishing the relationship of employer and employee between CITY and CONSULTANT. CONSULTANT is responsible for paying all required state and federal taxes.

10. Indemnity

CONSULTANT shall indemnify, defend, and hold harmless the CITY, its officers, officials, employees and volunteers from and against all claims, damages, losses and expenses, including attorney fees, arising out of the performance of the services described in Exhibit "A", caused in whole or in part by any negligent act or omission of CONSULTANT, any subcontractor, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, except where caused by the active negligence, sole negligence or willful misconduct of the CITY.

11. Insurance

CONSULTANT shall take out and maintain during the life of this Agreement policies of insurance as specified in Exhibit "B" attached and incorporated by reference, and shall provide all certificates or endorsements as specified in Exhibit "B."

12. CITY Representative

Robert Walker, Assistant City Manager, as the City Manager's authorized representative, shall represent CITY in all matters pertaining to the services to be rendered under this Agreement. All requirements of CITY pertaining to the services and materials to be rendered under this Agreement shall be coordinated through the CITY representative.

13. CONSULTANT Representative

Mike Silverman, Co-Chief Executive Officer, shall represent CONSULTANT in all matters pertaining to the services and materials to be rendered under this Agreement; all requirements of CONSULTANT pertaining to the services or materials to be rendered under this Agreement shall be coordinated through the CONSULTANT representative.

14. Notices

All notices required by this Agreement shall be in writing, and shall be personally delivered, sent by first class with postage prepaid, or by sent by commercial courier, addressed as follows:

To CITY: Robert Walker
 Assistant City Manager
 CITY OF SUNNYVALE
 P. O. Box 3707
 Sunnyvale, CA 94088-3707

To CONSULTANT: Mike Silverman
 Co-Chief Executive Officer
 PACIFIC TECHNOLOGIES, INC.
 14711 NE 29th Place, Suite 216
 Bellevue WA 98007

Nothing in this provision shall be construed to prohibit communication by more expedient means, such as by telephone or facsimile transmission, to accomplish timely communication. However, to constitute effective notice, written confirmation of a telephone conversation or an original of a facsimile transmission must be sent by first class mail or commercial carrier, or hand delivered. Each party may change the address by written notice in accordance with this paragraph. Notices delivered personally shall be deemed communicated as of actual receipt; mailed notices shall be deemed communicated as of two days after mailing, unless such date is a date on which there is no mail service. In that event communication is deemed to occur on the next mail service day.

15. Assignment

Neither party shall assign or sublet any portion of this Agreement without the prior written consent of the other party.

16. Termination

If CONSULTANT defaults in the performance of this Agreement, or materially breaches any of its provisions, CITY at its option may terminate this Agreement by giving written notice to CONSULTANT. If CITY fails to pay CONSULTANT, CONSULTANT at its option may terminate this Agreement if the failure is not remedied by CITY within thirty (30) days from the date payment is due.

Without limitation to such rights or remedies as CITY shall otherwise have by law, CITY also shall have the right to terminate this Agreement for any reason upon ten (10) days' written notice to CONSULTANT. In the event of such termination, CONSULTANT shall be compensated in proportion to the percentage of services performed or materials furnished (in relation to the total which would have been performed or furnished) through the date of receipt of notification from CITY to terminate. CONSULTANT shall present CITY with any work product completed at that point in time.

17. Entire Agreement; Amendment

This writing constitutes the entire agreement between the parties relating to the services to be performed or materials to be furnished hereunder. No modification of this Agreement shall be effective unless and until such modification is evidenced by writing signed by all parties.

18. Miscellaneous

Time shall be of the essence in this Agreement. Failure on the part of either party to enforce any provision of this Agreement shall not be construed as a waiver of the right to compel enforcement of such provision or any other provision. This Agreement shall be governed and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Agreement.

ATTEST:

CITY OF SUNNYVALE ("CITY")

City Clerk

City Manager

APPROVED AS TO FORM:

PACIFIC TECHNOLOGIES, INC.
("CONSULTANT")

City Attorney

Name and Title

Name and Title

EXHIBIT "A"

SCOPE OF SERVICES

CONSULTANT shall conduct an optimum staffing study of the Information Technology Department (ITD) of the City of Sunnyvale. Services to be performed include at a minimum:

A. Project Management

CONSULTANT shall conduct a pre-study meeting to be held at a City site within one month of contract execution unless a different timeline is mutually agreed upon. The purpose of the meeting will be to introduce key project participants, confirm the project's objectives, address logistics, refine the work plan and approach, finalize the project governance structure and identify key next steps.

CONSULTANT shall conduct periodic status meetings with CITY stakeholders, as necessary. The first status meeting shall be held at a City site approximately thirty days following the pre-study meeting.

B. Current ITD Organization Assessment

CONSULTANT shall establish CITY's ITD organization baseline. This data will be used to assess the difference between CITY's current position and its future potential.

1. Develop and distribute information request.

Upon project start, CONSULTANT shall request from CITY salient documentation on existing goals, policies, technical documentation, staffing, financial information, and performance measures related to CITY's current technology position. CITY shall provide this information as quickly as is reasonably possible to facilitate the timely completion of the project.

2. Conduct interview and focus groups.

CONSULTANT shall conduct up to twenty one-on-one interviews with senior management and other key CITY stakeholders to gain knowledge of departmental goals, priorities and initiatives and their alignment with both current and desired IT services. CONSULTANT shall also conduct up to ten focus groups to elicit the strengths, weaknesses and potential solutions attendant to IT support in a centralized, decentralized or federated approach.

3. Analyze current organization structure and geography data.

CONSULTANT shall analyze the organizational structures that currently support delivery of IT-related services. In support of this activity, CONSULTANT shall capture data about current IT organizational structures, hierarchies, and associated reporting relationships as well as the geographic distribution of IT services at the City.

4. Analyze current IT staffing levels.

CONSULTANT shall examine distribution of staff across IT activities, centralized versus decentralized staff, and levels of support provided by staff without IT job titles who perform IT support. This analysis will provide a baseline from which to assess future staffing and organizational requirements.

Major functions and sub-functions to be examined include:

Customer Services - help desk, desktop PC support, business application support and training.

System Services - network connectivity, server administration, data center operations, database administration, security administration, telephone systems support, and mobile computing support.

Business Application Services – application development, small application support, Internet/intranet support, requirements analysis, custom application development, and package application maintenance.

IT Planning – strategic planning, research and development, disaster recovery planning, and governance.

IT Administration – asset management, project management, standards and policy development, IT procurement and executive management.

5. Analyze overtime and after-hours support.

CONSULTANT shall assess overtime expended by ITD staff as well as the business drivers that necessitate after-hours support.

6. Conduct benchmark analysis.

CONSULTANT will identify information technology spending and staffing patterns in up to six other San Francisco Bay Area municipalities, develop and analyze related comparative metrics and highlight industry trends and best practices. The purpose of this task is to help CITY stakeholders evaluate the relative efficiency of information technology services delivery at Sunnyvale.

Benchmark areas may include:

- IT operating budget – per citizen, per CITY employee, and as a percentage of overall CITY operating budget.
- IT organization structure and staff distribution.
- IT FTEs as a percentage of over CITY FTEs.
- Allocation of IT staff to major activities, including help desk, infrastructure support, applications, project management, etc.

7. Develop/validate findings.

Drawing upon the analysis conducted in the preceding tasks, CONSULTANT shall conduct a series of internal brainstorming sessions aimed at distilling and summarizing the major findings from its assessment. CONSULTANT shall then meet with selected CITY stakeholders (e.g. CITY's study committee) to review and validate its work to date.

C. Recommendation and Report Development

1. Define and evaluate alternatives.

CONSULTANT shall define up to three future models for staffing organizing delivery of IT services at CITY. CONSULTANT shall with CITY staff to identify criteria for selecting the models and to finalize the alternatives. Areas modeled shall include specific activities within IT customer services, system administration services, business application support and administration.

2. Develop and validate recommendations.

CONSULTANT shall develop a candidate organizational model to better position CITY for the future. The model shall also highlight changes to staffing, management and reporting relationships. CONSULTANT shall meet with selected CITY personnel to elicit input regarding support of business requirements, feasibility, risk/benefit, transition requirements, workload allocation, organizational acceptance, etc. Feedback from this validation meeting will be used to develop the final, recommended organizational model.

3. Develop high-level transition plan.

CONSULTANT shall craft an overall approach to affecting a successful transition to the new IT organization model, including major activities and associated timelines as well as identification of funding sources.

4. Develop draft deliverable.

CONSULTANT shall synthesize its work from all prior tasks and document the outcome and shall review the table of contents with CITY personnel for approval prior to writing the document. CONSULTANT shall submit a draft report to CITY's study committee for review and comment.

5. Develop final deliverable.

Working from a set of consolidated comments, CONSULTANT shall conduct a page-by-page walkthrough of the draft report and shall incorporate any necessary revisions into the final document.

6. Deliver presentations.

In concert with development of the final report, CONSULTANT shall develop a draft version of summary materials for a formal presentation. CONSULTANT shall incorporate any necessary revisions into the materials and deliver a formal presentation to selected CITY stakeholders.

D. Deliverables

CONSULTANT shall provide the following two formal deliverables:

1. A final report that addresses all aspects of project analysis, including specific recommendations for the management and organization of IT services, meaningful benchmark data from comparable entities, and an achievable transition plan with attendant tasks and timelines.
2. A formal presentation that summarizes its findings and recommendations.

E. Project Schedule

Project shall be completed by November 30, 2006.

EXHIBIT "B"
INSURANCE REQUIREMENTS

CONSULTANT shall obtain, at its own expense and from an admitted insurer authorized to operate in California, the insurance coverage detailed below and shall submit Certificate(s) of Insurance to the City of Sunnyvale, Purchasing Division, 650 West Olive Ave, PO Box 3707, Sunnyvale, CA 94088-3707; fax (408) 730-7710.

CONSULTANT shall take out and maintain during the life of the contract **Workers' Compensation** insurance coverage to statutory limits as may be required by law.

CONSULTANT shall take out and maintain during the life of the contract such **Commercial General Liability Insurance** as shall protect CONSULTANT, CITY, its officials, officers, directors, employees and agents from claims which may arise from services performed under the contract, whether such services are performed by CONSULTANT, by CITY, its officials, officers, directors, employees or agents or by anyone directly or indirectly employed by either. The amount of insurance shall not be less than the following: Single Limit Coverage Applying to Bodily and Personal Injury Liability and Property Damage: \$1,000,000.

The liability insurance shall include, but shall not be limited to:

- Protection against claims arising from bodily and personal injury and damage to property, resulting from CONSULTANT's or CITY's operations and use of owned or non-owned vehicles.
- Coverage on an "occurrence" basis.
- Broad form property damage liability. Deductible shall not exceed \$5000 without prior written approval of CITY.
- Notice of cancellation to CITY's Purchasing Division at least thirty (30) days prior to the cancellation effective date.

The following endorsements shall be attached to the liability insurance policy, and copies shall be submitted with the Certificate(s) of Insurance:

- The policy must cover complete contractual liability. Exclusions of contractual liability as to bodily injuries, personal injuries and property damage must be eliminated.
- "CITY, its officers, officials, employees and volunteers" must be named as an additional named insured with respect to the services being performed under the contract. *Simply indicating on the certificate that the certificate holder is named as additional insured is not acceptable; an endorsement must be provided.*
- The coverage shall be primary insurance so that no other insurance effected by CITY will be called upon to contribute to a loss under this coverage.